

# Comments on Terror Financing

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Monday, October 17<sup>th</sup>, 2005 – New York City

## Introduction

Just a few feet from my office in Midtown Manhattan stands a major hub of the terror financing network. At 520 Madison Avenue, in New York City, Arab Bank Plc, a leading Jordanian bank that is by far the largest bank operating in the Palestinian territories, maintains a branch. Under a consent order with the Office of the Controller of the Currency, the bank shut down most of its operations at this branch earlier this year (although the branch is still open). In a press release, the bank claimed that it reduced its operations in the United States because of the "extremely litigious" environment.

Over 1300 U.S. and Israeli victims of terrorism have sued Arab Bank in New York on the basis that the bank provided systematic financial assistance to the families of Palestinian martyrs in the jihad and to front organizations for Hamas and other terrorist groups -- and that the bank channeled funds for these purposes through its New York branch. Arab Bank's New York branch was the subject of a front page *Wall Street Journal* article laying out its activities in detail. But even in such an egregious case our government was very slow to act: it took over two years from the time a number of us became aware of Arab Bank's activities until regulators effected even a partial shutdown of the New York branch.

The funding of terrorism is a vast, complicated subject and given the limited time, I will only be able to briefly put terror financing in the context of the war on terror, describe the current state of terror financing in Saudi Arabia and present a couple of ideas that can make America and the rest of the world safer.

## The Mother's Milk of Terrorism

Some people say that box cutters were critical to the terrorists' mission on 9-11 -- I say that dollar bills were far more critical. To prevent future terrorist attacks, we must strike at the mother's milk of terrorism--the financial support for acts of terror and for the infrastructure that allows these acts to come to fruition.

The 9-11 Commission says that terrorists spent only half a million dollars or so on the World Trade Center attacks. But while this may be the out-of-pocket costs of this act, the terror attack would not have been possible without the Al-Queda worldwide infrastructure which cost tens of millions of dollars to construct and maintain. A well-financed infrastructure allows terrorists to perform their heinous acts efficiently.

Following the money also gives us enhanced intelligence that we can use in the war on terror -- it allows us to trace the web connecting terrorist organizations and their supporters. Unfortunately much of the information that we collect in the war against terrorism is of dubious value -- because it is obtained from questionable informants that may have reasons to lie to us and from other compromised sources. However, financial records do not lie.

## The Case of Terror Financing in Saudi Arabia

Our task force found that individuals and organizations based in Saudi Arabia have historically been the single most important source of funds for al-Qaeda and other terrorist groups such as Hamas. For years, Saudi officials have, at best, turned a blind eye to this problem.

Although the Saudi government may not have funded terrorism directly, it has clearly allowed individual and institutional financiers of terror to operate and prosper within Saudi borders. And as a general matter, such individuals and organizations have had close ties to the Saudi establishment.

America needs to consider how financial support for the export of radical Islam or Wahhabism around the world fits in with the U.S. agenda on curbing terror financing. U.S. policy should affirmatively seek to drain the ideological breeding grounds of Islamic extremism, financially and otherwise.

During the Cold War, the United States viewed support of communism in the US or abroad as a threat to our national interest. We have not, however, come close to adopting the same approach to the support and export of radical Islam.

At the height of the Cold War, the Soviet Union was spending one billion dollars annually on promoting communism abroad excluding its support for Cuba. In comparison, Saudi Arabia alone is spending an estimated four billion dollars per year on purportedly charitable causes that have the mission of promoting radical Islam.

As a core tenet of its foreign policy, Saudi Arabia funds the global propagation of Wahhabism, a brand of Islam that supports militancy by encouraging hatred, religious intolerance and violent jihad. Our task force found that Saudi financing is contributing significantly to the radicalization of millions of Muslims in places ranging from Pakistan to Indonesia to Nigeria to the United States. These institutions and clerics create the next generation of terrorists. For example, foreign funding of extremist *madrassas*--in Pakistan alone--is estimated in the tens of million of dollars, much of it coming from Saudi Arabia.

More than a million young Pakistanis per year are educated in the tenets of extreme Islam in these *madrassas*, which incidentally teach mainly wahhabist principles and few, if any, marketable skills.

Saudi Arabian citizens and institutions provide extensive support for Islamic causes abroad. In part, this support is related to the Islamic requirement that every financially able Muslim donate a part of his wealth to charity -- one of the five pillars of Islam. A significant portion of the funds are directed at genuinely charitable activities like building schools, hospitals, mosques and community centers. But, those funds often support the promotion of Islamic extremism and a culture that condones a violent anti-Western jihad. The fact that giving to these institutions may be motivated by sincere and deeply held religious and philanthropic beliefs on the part of some donors makes inquiry into Islamic charitable giving very difficult.

Saudi Arabia has taken important steps to dismantle domestic al-Qaeda cells and has increased law enforcement and intelligence cooperation with the United States. Since the 2003 bombings there, Saudi Arabia has enacted extensive laws and regulations against terror financing. These laws would require greater oversight and restrictions on

the financial activities of Saudi-based charities. If fully implemented, these laws would significantly reduce the flow of funds from within Saudi Arabia to terrorists.

Our task force concluded that Saudi Arabia is not effectively enforcing these new laws and regulations, particularly with respect to oversight of charities and charitable giving. Furthermore, although we found evidence that Saudi Arabia is cracking down on *domestic* extremism, our task force found only limited efforts to curb the ongoing *export* of extremism.

Many issues still need to be addressed before Saudi Arabia will have an acceptable regime in place to combat terror financing. We need to consider at this time whether or not nations and individuals that support or condone the export of radical Islam can really be our “allies”-- or actually pose a strategic threat to the U.S.

## **US Actions**

In the United States, several initiatives have focused on the reporting of financial information to the government. Such reporting includes both Currency Transaction Reports and Suspicious Activity Reports. As the 9/11 Commission reported, these reports provide our first defense in deterring and investigating the financing of terrorist entities and their operations. This is because financial institutions are in the best position to understand and identify problematic transactions or accounts.

However, the number of reports filed is astronomical, as is the cost of complying with these reporting requirements. In 2003, over 12 million, 700 thousand currency transaction reports were filed and over 288 thousand suspicious activity reports were filed. The Financial Crimes Enforcement Network, FinCEN, received far too many reports to examine the vast majority of them and does not currently have effective data mining capabilities to extract information from these reports that could be useful in the war on terror. Quite simply, collecting these reports is like spending vast amounts of money to create the largest library in the world with only a few books worth reading and with no card catalog system.

Congresswoman Sue Kelly of New York, introduced a note-worthy bill at the end of the last Congress which would require a Treasury-led certification regime specifically on terrorist financing. She has re-introduced the bill in the House as HR 1952.

Under this bill, the Treasury Department would provide written certification on an annual basis (classified in whole or in part, if necessary) of each foreign nation that is cooperating with U.S. and international efforts to combat terror financing.

States that fail certification would be automatically sanctioned under Section 311 of the Patriot Act--including denial of U.S. foreign assistance monies and limitations on access to the U.S. financial system. Sanctions would be subject, however, to waiver by the President as required by vital national interests of the United States.

With respect to the original certification bill, U.S. News and World Report reported, “the State Department appears unenthused because it could end up citing allies like Indonesia, Nigeria, and the Philippines.” That is exactly the point ! It is important that the Executive Branch annually review the policies and progress of each nation on terror financing, without regard to whether such nation is a so-called “ally” of the United States.

I urge you to tell your friends in the House to support Congresswoman Kelly's bill and to encourage your contacts in the Senate to introduce a version of the bill there. This certification regime on terror financing would ensure that the special measures provided by the Patriot Act are used appropriately and thoughtfully against "rogue" jurisdictions.

## **Conclusion**

The fundamental point is that we must curb not only the funding of terrorist acts--but also the teaching of hate and jihad. We are not safe until all the world's nations reject the notion that acts of terror may be legitimized by the charitable activities or the political motivations of the perpetrators. No cause, however legitimate, justifies the use of terror. Indeed, the use of terror delegitimizes even the most worthy causes.